



Office of the City Manager
City of Frisco, Texas

Memorandum

To: Honorable Mayor Maso and the Frisco City Council
Thru: George Purefoy, City Manager
From: Nell Lange, Assistant City Manager
Date: 11/11/2010
Re: Consider and Act on an amendment to the commercial lease agreement between the City of Frisco and Music Maker Enterprises, LP for additional space at 6827 Main Street and authorize the City Manager to execute the amendment.

Action Requested: Consider and Act on an amendment to a lease agreement between the City of Frisco and Music Maker Enterprises, LP to lease approximately 2,000 square feet of additional retail space at 6827 Main Street and authorize the City Manager to execute the lease agreement.

Background Information: In April 2009, the City Council approved a lease agreement with Music Maker Enterprises, LP to lease the building at 6891 Main Street. The School of Rock (SOR) opened in that facility in June of 2009. They are more successful than originally planned and have requested additional space. With the Frisco Arts Association moving to the Frisco Discovery Center, the space located at 6827 Main Street is vacant. The SOR approached the Downtown Advisory Board about leasing that space in addition to their current lease.

The Downtown Advisory Board is pleased with the traffic generated from the SOR business and is recommending City Council approve a proposed amendment to the lease agreement with Music Maker Enterprises, LP. The Downtown Advisory Board recommendation states that this tenant meets one of the target uses of the Downtown Reuse Plan – arts.

The proposed lease amendment with Music Maker Enterprises combines the two spaces for the purpose of calculating gross revenue. Music Maker Enterprises is interested in beginning build out of the space immediately with an opening targeted for early 2011. Music Maker Enterprises, LP is estimating they will spend somewhere around \$50,000 in tenant finish out on the facility and in recognition of that, there is no base rent for the first year on the additional space.

Highlights of the proposal include:

- The amendment will terminate on the end date of the original lease.

- Estimated gross revenue is projected to increase by at least 50%.
- Music Maker Enterprises is paying for the tenant finish out expense.
- The average rent per square foot over the term of the lease is estimated to be \$17.37.

Board Review/Citizen Input: The Downtown Advisory Board (DAB) recommends the approval of this lease amendment with Music Maker Enterprises.

Alternatives: The Council could choose to deny this request at this time or request additional information.

Financial Considerations: The amendment would generate an additional \$55,900 in base rent revenue over the remaining term of the lease plus additional revenue from the increase in projected gross revenue. Under the broker agreement with Herrin Real Estate, LLC, the broker fees equal to 6% of the lease revenue will be paid from the lease revenue.

Legal Review: This lease has been reviewed and approved by the City Attorney's office.

Supporting Documents: Proposed lease amendment.

Staff Recommendation: Staff recommends that the lease amendment as negotiated by the Downtown Advisory Board be approved.

Thank you for your consideration of this item. If you need additional information, please contact me at 972-292-5110 or by email at nlange@friscotexas.gov.